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C O R R E C T E D C O P Y (PARA 4)

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TAGS: [PREL](#) [PGOV](#) [KDEM](#) [PTER](#) [ECON](#) [PA](#)
SUBJECT: PARAGUAY: A/S SHANNON STRESSES POSITIVE U.S.
AGENDA, SCORES POINTS IN NGO COMMUNITY

REF: A. ASUNCION 0355

[1](#)B. ASUNCION 0356

[1](#)1. (U) SUMMARY: A/S Shannon expressed during his April 26-28 visit the U.S. commitment to strengthening our relationship with Paraguay and the region, based on a deeper appreciation for the economic and social challenges facing the region. Members of U.S.-funded investigative units expressed their frustration in the fight against corruption and impunity, noting that without USG support their organizations would not exist. Leaders of eight NGOs also expressed pessimism regarding the state of Paraguay in eradicating corruption and impunity, pointing to their battles with the Duarte Administration. The A/S swore-in 29 Peace Corps volunteers and celebrated their 40th anniversary in Paraguay. Shannon received broad and favorable press coverage throughout his visit, wowing the bureaucrats, the business sector and the media, alike. END SUMMARY.

Business Sector Roundtable

[1](#)2. (U) The Ambassador hosted a roundtable discussion for A/S Shannon with a group of Paraguay,s major business associations representing soy and beef producers, biofuels, importers, the services and maquila sectors, the Paraguay-American Chamber of Commerce and the Department of Commerce-supported Good Governance ethics program. The business leaders faulted Paraguay,s political class for a lack of leadership and the lack of any concrete, long-term plans for improving Paraguay,s economy. They were universally pessimistic about Mercosur, complaining that while commodity products pass freely to neighbors Brazil and Argentina, valued-added products meet bureaucratic and other obstacles. They generally acknowledged, though, that being poor, small and landlocked, Paraguay had little choice but to keep trying to make the best of it. Judicial insecurity and rising crime were other commonly cited impediments to increased investment, whether domestic or foreign. The business leaders hoped that the United States would continue efforts to strengthen Paraguay,s institutions as with the Millennium Challenge Threshold Program, and also expressed hope that the U.S. would be able to improve market access for Paraguayan products.

Tri-Border Investigators

13. (SBU) A/S Shannon met with the heads of four USG-supported investigative units and a prosecutor to discuss tri-border law enforcement issues. Three of the vetted units (Tax, Customs and a Ministry of Finance anti-corruption unit) are receiving assistance from Treasury's Office of Technical Assistance under the MCC Threshold Program. The fourth unit, Special Technical Unit (UTE), is an IPR investigative unit assisted with INL Bureau funds. Paraguayan officials conveyed appreciation for the USG assistance, which they said is vital to insulate them from political pressures. One commented that he was sure they'd all have been sent home and their units disbanded by now if not for overt Embassy support.

14. (SBU) The investigators were generally pessimistic on the state of the GOP in terms of corruption, maintaining that the criminals are given the space to operate by the corrupt government officials or politicians. Several had examples of times when political pressure was brought to bear, either directly to cease investigating, or indirectly when judges scuttled good cases. They characterized the major crime elements involved in smuggling and the trade in counterfeit goods as mainly foreigners, principally Taiwanese and Arabs. Paraguayans are nearly always involved, but typically as front people who sign documents, making it difficult to get at the kingpins. They all complained of lackluster support from their own government, citing poor salaries and small or non-existent budgets. Cooperation with other countries in the region is growing - specifically with the customs and IPR units. They agreed that the public supports their efforts and are tired of impunity and the illicit enrichment so common here.

NGO's Opinions on Paraguayan Progress

15. (U) Paraguayan NGOs candidly addressed several of their concerns with A/S Shannon. These NGOs are engaged various areas such as anti-corruption, rule of law, environment, local government strengthening, civil society strengthening, and microfinance. Most of these organizations are supported by USAID/Paraguay, which implements a large part of its development portfolio through NGO partners.

16. (U) The participating organizations expressed their view that civil society is still weak in Paraguay. According to the attendees, only approximately 200 of a few thousand organizations, are financially stable. They maintained that the Duarte administration has been hostile toward NGOs, using surprise audits to go after certain NGOs; supporting legislation that would tax the work of NGOs; and faulting NGOs for not doing enough to address social issues caused by poverty including street children notwithstanding the millions of dollars they receive each year. These attacks have damaged the public image of NGOs.

17. (U) Corruption and impunity are considered the most difficult barriers to Paraguay's development and factors in the growing resentment of the population toward the government. This resentment could build until it reaches a breaking point or the Paraguayan population could just remain apathetic. The reaction of the population is not predictable. They believe that the public's perception is that institutions have grown weaker and less independent during the Duarte administration. The Judiciary and the Electoral Tribunal were mentioned as having deteriorated.

Peace Corps Swearing-in

18. (U) The Assistant Secretary administered the "oath of office" April 27 to the most recent contingent of 29 Peace Corps volunteers. The volunteers arrived in country in

February 2007, and had just finished 11 weeks of intensive cross-cultural orientation, as well as Guarani and Spanish language training. Peace Corps Paraguay is celebrating its 40th anniversary this year, with media events throughout the year. There are more than 150 volunteers in Paraguay, making it the third-largest PC program in the world. Before a heavy media presence from print, television and radio, the Assistant Secretary spoke of the importance of the Guarani language, particularly, as a means of building bridges of cross-cultural understanding. The A/S presence was a big hit with the new volunteers, and substantive media coverage resulted.

Press Delighted by A/S Presence

¶9. (U) A/S Shannon addressed news media representatives throughout his visit. The collegial encounters covered U.S. interest in using the Doha Round of trade negotiations to encourage economic development in impoverished countries, precursor steps such as a TIFA with Paraguay that deepen the bilateral trade relationship, and U.S. views regarding the Banco Sur concept from Venezuela. A/S Shannon also addressed the potential for biofuel production in Paraguay and the region, 3-plus-1 cooperation in combating narcotics and money laundering in the Tri-Border Area and U.S. support for the democratic process in Paraguay.

¶10. (U) A Spanish-language transcript of both the Peace Corps press conference transcript and the FM press encounter was immediately posted on the Embassy website at:
<http://spanish.paraguay.usembassy.gov/>.

Wining and Dining Media

¶11. (U) The Ambassador hosted a dinner in honor of A/S Shannon April 27 with nine influential, senior level columnists, editors and broadcast media news personalities. The A/S described President Bush's engagement with the region by speaking to his recent trips and the thinking

behind each place visited. A/S Shannon also discussed the MCC Threshold Program in Paraguay, the challenges posed by consolidating democracies, and U.S. views of populism in the region. The exchange with Paraguayan media Brahmins deepened understanding of USG policies as well as instilled in those in attendance that the U.S. is committed to stronger relations.

English Students Discuss Issues with A/S

12 (U) A/S Shannon and the Ambassador visited the San Lorenzo branch of the Centro Cultural Paraguayo-Americano (CCPA), a leading English teaching institution and primary Embassy partner in the cultural community, April 28. A tour of the CCPA's brand new building and recently inaugurated American Corner were followed by a meeting with the Board of Directors. The discussion centered around the strategic regional importance of teaching English and the challenges facing Paraguay in the recruitment of sufficient teachers to meet the high demand for the English language. The A/S then visited 28 English micro-scholarship students and engaged them in a lively exchange completely in English on a host of topics, including the historic importance of the Guarani language. The A/S presented cultural books on the U.S. to each of the four Micro-scholarship program teachers.

¶13. (SBU) COMMENT: The A/S visit was a success and highlighted the USG commitment to work jointly with Paraguay on an array of issues. His command of the pertinent issues resonated with Paraguayan meeting attendees. Shannon presented a positive agenda to the public in stark contrast to the image of the U.S. that Venezuela's Chavez would like to project. Post expects the Shannon visit to continue to get positive press in the coming days and weeks as much of what the A/S discussed resonated with the media leaders with

whom he met and the broader general public. END COMMENT.
CASON